

BEFORE THE
POSTAL REGULATORY COMMISSION
WASHINGTON, D.C. 20268-0001

Permanent Addition of Extended Mail Forwarding
Product Offering to the Market Dominant Product List

Docket No. MC2022-40

USPS RESPONSE TO CHAIRMAN'S INFORMATION REQUEST NO. 1
(March 18, 2022)

The United States Postal Service hereby provides its response to Chairman's Information Request No. 1, which was issued on March 11, 2022. A response was due by March 18, 2022.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorney:

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**RESPONSE OF THE UNITED STATES POSTAL SERVICE TO
CHAIRMAN'S INFORMATION REQUEST NO. 1**

1. The Postal Service states that the "Extended Mail Forwarding has reduced Undeliverable as Addressed (UAA) handling costs, resulting in cost savings." Request at 2. Please provide an estimate of the total cost savings from the Market Test and explain how the Postal Service calculated that estimate.

RESPONSE:

The Postal Service estimates Extended Mail Forwarding has resulted in \$878,400 in cost savings over the course of the market test.

The Postal Service calculated that absent Extended Mail Forwarding, mailpieces would be returned at a cost of \$.476/mailpiece, whereas Extended Mail Forwarding resulted in a cost of only \$.232/mailpiece. The difference in these two figures represents the savings at \$.244/mailpiece. These figures however serve as averages and do not consider handling for parcel which is much more.

Using the FY21 PARS Christensen study to calculate UAA savings, the Postal Service calculated that with 1.8 million customers signed up for Extended Mail Forwarding, averaging 2 mailpieces forwarded at an average savings of \$.244/mailpiece:

1.8M (EMF customers signed up to date) * 2 (total avg mailpieces forwarded) * \$.244 (difference in forwarding vs returning cost) = \$878,400 (Estimated UAA savings)

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2. Did the Postal Service collect market research data, including consumer preferences and the feasibility of different pricing options, from the market test?
 - a. If yes, please explain the method of data collection, what data was collected, and how it was used. Please provide any relevant documentation.
 - b. If no, please explain why not.

RESPONSE:

- a. N/A.
- b. No. Prior to the market test's launch, a study conducted by Customer Insights found a majority of respondents reacting positively to a starting price point of \$19.95 for a six-month extended forwarding period. Other offerings were calculated based on that response. The Postal Service also set the initial price tiers for the Extended Mail Forwarding service with the expectation that the product would cover costs and meet consumer demand. The volumes and revenues collected during the market test were sufficient signals to the Postal Service that the price was set appropriately.